

Memorandum

TO: Governor's Task Force on Energy Efficiency and Renewables

FROM: Regulatory Initiatives Workgroup

DATE: July 9, 2004

RE: Recommendations to the Full Task Force

The Regulatory Initiatives Workgroup of the Governor's Task Force on Energy Efficiency and Renewables recommends the following initiatives to the full Task Force:

1. **State Purchases of Renewable Energy (AB 977/SB 554)** – This legislation, endorsed by the full Task Force in February, requires the state to purchase at least 10% of its energy from renewable resources by 2006 and at least 20% from renewable resources by 2010. Since February, the workgroup has made several refinements to the bill, including expanding the scope to include state leased-facilities, defining a long-term arrangement as a period of at least 10 years, and clarifying the definition of electric providers. The legislation and drafting revisions are attached. The workgroup notes that if the federal production tax credit is not extended, the Task Force may need to reconsider the economic implications of this recommendation.
2. **Sales Tax and Use Tax Exemption for Renewable Energy Systems (Sub. Amend. to AB 762)** – This legislation, endorsed by the full Task Force in February, exempts small-scale renewable systems from the sales and use tax. The substitute amendment is attached; the workgroup continues to recommend this initiative.
3. **Rural Energy Initiatives** – The workgroup recommends three initiatives to foster renewable energy use in rural areas:
 - Bio-Energy/Bio-Fuel Coordinator - Currently, there is no post at the Department of Agriculture, Trade and Consumer Protection (DATCP) that is responsible for coordinating federal and state programs for renewable energy projects related to agriculture. Given agriculture's logical fit with renewable energy systems, the workgroup recommends the creation of this position to better leverage federal and state programs and funding options for rural renewable projects. Identifying the need for loan guarantees for waste and odor mitigation projects could also be a part of this coordinator's function. Funding for the position could be provided, in part, by the private sector with a matching program from the state.
 - Funding for Anaerobic Digester Research and On-Farm Application – Given Wisconsin's numerous dairy farms, anaerobic digestors are a

renewable technology with strong possibility for the state. However, questions about the technology and economic feasibility remain barriers to the widespread use of digestors. The workgroup recommends increasing funding to two DATCP programs to foster research and application of digestors.

The first program is the Agricultural Development and Diversification (ADD) Grant Program. This program awards grants on a competitive basis to new technologies, research and development efforts and feasibility studies for farmland resources. The workgroup recommends funding set aside grants for anaerobic digestors. This will require a statutory change giving DATCP the authority to use these funds specifically for digester research and application.

The second program is the Wisconsin Agricultural Stewardship Initiative (WASI). This is a non-profit organization established to coordinate and guide the application of technologies developed on pilot farms. The workgroup recommends increasing funding to these pilot farms for the research and application of digestors.

- Municipal and cooperative organizations have the option to provide their own energy efficiency and renewable programs to meet the goal of the public benefits program. As member-owned, locally controlled and governed programs, cooperatives and municipalities have the choice of whether to establish their own program or to participate in the state program. At this time, no cooperative in the state currently participates in Focus on Energy. This leaves much of rural Wisconsin ineligible for Focus on Energy assistance and expertise. While recognizing the need to maintain local governance among membership owned organizations, the workgroup recommends establishing a goal to encourage better communication and cooperation between Focus on Energy administrators, cooperative and municipal leaders and DATCP representatives to better leverage Focus on Energy innovations.

4. **Public Hearing Comments** – Based on input from the public at the June 15th hearing, the workgroup also recommends that the PSC encourage and support efforts by energy providers to implement innovative rate programs which send cost-based price signals to customers to reduce peak electrical usage. This could include new metering technologies, load management programs and time-of-use rates.

2003 ASSEMBLY BILL 977

March 11, 2004 – Introduced by Representatives JENSEN and BLACK, cosponsored by Senators COWLES and RISSE. Referred to Committee on Energy and Utilities.

1 **AN ACT** *to create* 16.75 (12) of the statutes; **relating to:** use of renewable
2 resources at certain state facilities.

Analysis by the Legislative Reference Bureau

This bill directs the Department of Administration (DOA) to determine a target applicable to DOA, those state agencies to which DOA delegates procurement authority, and those state agencies making procurements independently of DOA for aggregate renewable resource usage at all state-owned office buildings, state educational institutions and state correctional institutions that will enable DOA and the agencies, when combining their level of use of renewable resources with the level of use of renewable resources by all users in the state on the day the bill becomes law, as determined by DOA, to attain a level of at least 10 percent by January 1, 2006, and a level of at least 20 percent by January 1, 2010. The bill defines use of renewable resources at a building or institution to include energy derived from renewable resources under a long-term arrangement with the public utility serving the building or institution or energy derived from renewable resources that is produced by the state for the use of the building or institution.

The bill directs DOA to report annually to the governor and the legislature concerning the degree of attainment by the state in meeting the target.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

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1 **SECTION 1.** 16.75 (12) of the statutes is created to read:

2 16.75 **(12)** (a) In this subsection:

3 1. "Renewable resource" has the meaning given in s. 196.378 (1) (h) 1. or 2. and
4 includes a resource, as defined in s. 196.378 (1) (j), that derives electricity from
5 hydroelectric power.

6 2. "State correctional institution" has the meaning given under s. 301.01 (4).

7 3. "State educational institution" means the University of Wisconsin System
8 and the schools operated by the department of public instruction.

9 (b) The department shall determine the level of use, as of the effective date of
10 this paragraph [revisor inserts date], of renewable resources by all users in this
11 state.

12 (c) The department shall establish a target applicable to the department, each
13 purchasing agent under s. 16.71 (1), and each agency making purchases under s.
14 16.74 for aggregate renewable resource usage at all state-owned office buildings,
15 state educational institutions, and state correctional institutions that will enable the
16 department, its agents and the agencies, when combining their level of use of
17 renewable resources with the level of use determined under par. (b), to attain the
18 following levels:

19 1. By January 1, 2006, at least 10 percent.

20 2. By January 1, 2010, at least 20 percent.

21 (d) For purposes of par. (c), use of renewable resources at a building or
22 institution includes energy derived from renewable resources purchased under a
23 long-term arrangement with the public utility serving the building or institution, or
24 energy derived from renewable resources produced by the state for the use of the
25 building or institution.

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(e) No later than March 1 of each year, the department shall report to the governor and chief clerk of each house of the legislature, for distribution to the legislature under s. 13.172 (2), concerning the degree of attainment by the state during the preceding year in meeting the target established under par. (c).

5 (END)

State of Wisconsin Renewable Energy Use Targets Drafting Revisions

The Regulatory Initiatives Workgroup of the Governor's Task Force on Energy Efficiency requests the following revisions be incorporated into AB 977/SB 554, legislation to increase the state's purchases of renewable energy:

- (a) The scope of the bill should be expanded to include office buildings leased by the state. All facilities leased by the state after the date of enactment of this legislation should be subject to the renewable purchase requirement. Facilities leased by the state prior to the date of enactment should be subject to this requirement upon lease renewal.
- (b) Pg. 2, ln. 15 - Dept. of Natural Resources, Health and Family Services, State Fair Park facilities and institutions operated by the Department of Veteran Affairs should be added.
- (c) Pg. 2, ln. 22 - "includes" should be replaced with "consists of"
- (d) Pg. 2, ln. 23 - long-term arrangement shall be defined as a period of 10 years or longer.
- (e) Pg. 2, ln. 23 - "public utility" should be replaced with "electric provider" as defined by Wis. Stat. 196.378 (1) (c)
- (f) Pg. 2, ln. 25 - "or a combination thereof" should be added to the end of the sentence.
- (g) Pg. 2, ln. 25 – add the following: "If insufficient renewable energy is available from the electric provider serving buildings and institutions in a certain service territory, the state may make up the difference by purchasing more renewable energy from another electric provider serving state building and institutions in another service territory, such that the department on a statewide basis is able to meet the target.
- (h) Pg. 3, ln. 3 – "and, if applicable, reasons for non-attainment" should be added after "concerning the degree of attainment"

Further, the Workgroup encourages the following considerations:

- There is a concern that this proposed legislation may conflict with other statutes requiring DOA to make cost-effective purchases. Workgroup members request Legislative Council's analysis of how to resolve any potential conflicts.

June 17, 2004

- When the full Governor's Task Force initially recommended this legislation, it assumed the extension of the federal production tax credit. If this extension does not occur, the full Task Force may need to reconsider the economic implications of this legislation.

ASSEMBLY SUBSTITUTE AMENDMENT ,
TO 2003 ASSEMBLY BILL 762

1 **AN ACT** *to create* 77.54 (48) of the statutes; **relating to:** creating a sales and use
2 tax exemption for equipment and services that use alternative energy sources
3 to generate electricity and heat water.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

4 **SECTION 1.** 77.54 (48) of the statutes is created to read:

5 77.54 **(48)** The gross receipts from the sale of and the storage, use, or other
6 consumption of the following:

7 (a) Equipment, including integrated balance of system components, that
8 captures solar energy, wind energy, or gas from livestock manure and other
9 agricultural waste and converts such energy or gas into electricity, if the rated
10 capacity of all such equipment at the point of interconnection does not exceed
11 2,000,000 watts of alternating or direct current.

(b) Equipment that captures and uses solar energy for domestic water heating, including balance of system components, if the maximum output of such equipment, per installation, does not exceed a rated output of 70,000,000,000 British thermal units per day.

(c) A solar domestic hot water service.

(d) Professional services for the design, installation, maintenance, and repair of equipment and systems as described in pars. (a), (b), and (c).

SECTION 2. Effective date.

(1) This act takes effect on the first day of the 2nd month beginning after publication.

(END)